R4E - Simplified Strategic Workforce Planning toolkit

With focus on identifying reskilling needs
What is Strategic Workforce Planning

Conducting Strategic Workforce Planning

Labor market challenges

Mega-trends reshaping the Future of Work

Strategic Workforce Planning in 4 steps

1. Assess the impact of external factors & trends
   Scenario planning and workforce modelling

2. Identify future critical capabilities and analyze current workforce to identify skill gaps

3. Define, plan & prioritize actions to close skill gaps
   Analysis of current people plans/processes

4. Implement, monitor and adapt actions
What is Strategic Workforce Planning

Strategic Workforce Planning (SWP) is a part of the organization’s strategic planning process, critical to ensure you have the capabilities needed for the future.

By proactively identifying the critical capabilities it allows the organization to align the hiring, development and reskilling needs to ensure to maximize the impact of the organization’s learning strategies.

SWP ensures that you have the right capabilities, at the right scale, at the right time, in the right place – to help you build a sustainable organization.
Conducting Strategic Workforce Planning

There are multiple ways to design a SWP process. To have the intended effect it should be modified to suit the needs of each unique organization, dependent on its industry, structure and size.

To ensure that the SWP process is robust it should be conducted by people who have good knowledge about the strategic direction and possibility to influence the budget, as investments in development and reskilling programs might be needed. It’s more important to gather all relevant aspects as possible in SWP than the number of people involved in the process or what roles the participants may have.
Challenges in the Swedish labor market

1. 21% of today’s hours worked in Sweden is predicted to be automated over the next 10 years, which corresponds to just over one million jobs.

2. At the same time, automation is expected to lead to 1.3 million new jobs by 2030.

3. Other trends that further affect development are aging population, increased incomes, investments in new technology.

4. Occupations that are expected to be automated to a greater degree are, for example, machine and process operators and fitters.

5. The structural changes will lead to fewer people employed in certain occupational areas and the need for re-skilling will increase.

6. All actors in the labor market, the education system and private sector must work together to enable lifelong learning so more people can work longer and to secure a sufficient skills supply in automation.

Talent is the #1 barrier to implementing growth strategies.
Mega-trends on skills and expectations in the workforce are reshaping the Future of Work ...

**Skills**
Automation and digitization will create new requirements for different skills. Approximately 40% of the developed market workforce will need to upskill significantly or transition to new occupations in the next 10 years.

**TALENT GAP**
Skills in high demand and low supply are becoming increasingly expensive to employ at the same time as companies' costs for redundancies increase - which makes re-skilling a cost-effective solution.

**Expectations**
Younger generations bring new expectations and demands to the workplace, including purpose, values, sustainability, and opportunities for personal development throughout their careers.

**Ways of Working**
Models like agile are disrupting traditional ways of working, and the Covid-pandemic has further accelerated the development of new techniques.

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Talent can be the most scarce resource and the biggest challenge to pursuing growth. However, when done right, it can also be the driver of change and the ultimate key to success.

Source: McKinsey Global Institute analysis of all sectors; United States and Western Europe
... however, business leaders often struggle to address key questions on the talent they need to achieve their strategy.

The world of work is changing faster than ever before.

While we consider these questions our skills are already declining in future impact and relevance.

**What talent** will make us competitive given our strategy and the broader, evolving market?

What capabilities should we prioritize, and where are opportunities to reskill?

How do forces like automation affect the people we need to drive our business?

How well-suited are we to address talent needs, and do we have any critical gaps?

What training and reskilling plans should we put in place to ensure we can deliver on our business plan?

Source: McKinsey Global Institute analysis of all sectors; United States and Western Europe
Strategic Workforce Planning – in 4 steps

Strategic workforce planning is a step-wise process and typically includes a version of the below steps, and can be tailored to the organizations need.

1. **External factors & trends**
   - Assess the impact of external factors and trends that can have a large impact on the business, such as:
     - Automation and digitization
     - Changing customer behaviors
     - Increased focus on sustainability

2. **Critical capabilities, current workforce and skill gaps**
   - Based on your business strategy:
     - Identify critical capabilities that enable the strategic goals
     - Analyze current workforce
     - Identify skills gaps
     - In addition to this other useful analyses include:
       - Availability and competition for key skills
       - Scenario planning and workforce modelling

3. **Actions to close skill gaps**
   - Attraction and new hire
   - Re-skilling and development interventions
   - Retention and succession planning

4. **Implement, monitor and adapt actions**
   - Define KPI’s for each area
   - Appoint “initiative owner”, establish execution tracking and governance structure
   - Continuous assess result against KPIs
   - Adapt plans when needed
Understanding an organization’s environment and how this environment changes is critical for success. Because this landscape is always in flux, its shifts do not become apparent without scrutiny or until their impact is strongly felt. Early identification of critical trends and issues gives an organization the opportunity to respond proactively.

Depending on factors as industry, the predicted stability of the external environment, the time horizon for Strategic Workforce Planning can vary between different organizations (e.g., 3-5 years). The importance is that you take a longer a longer time perspective than in your daily activities.

There are many sources of information that can be used for trend and business analysis, which are most relevant is dependent on the industry and type of business. Examples are Yrkesprognoser and Yrkesguiden at Arbetsförmedlingen, Svenskt Näringsliv, Industry organizations, SCB, Forum för omställning and Daily press.

Scenario planning, is a method that can be used to further identify alternative scenarios and assess how it would affect the organization and its critical competencies. By conducting scenario planning strengthens the organization’s ability to think strategically, identify sudden changes and take necessary action.
1 – Assess the impact of external factors & trends

ILLUSTRATIVE EXAMPLE

It is common praxis to start by ensuring that people involved in SWP have a common view of the external factors and trends that affects the organization and its employees.

Example of step-by-step analysis of external factors

**Identify the most important external factors/trends that are relevant for your business**

- Increased automation and digitization
  - Potential impact (positive/negative) on the business:
    - Manual work in the factory will be replaced by automation
  - Potential impact (positive/negative) on the workforce:
    - Current factory workers at risk
    - Opportunities to reskill

- Changing customer behaviors
  - Potential impact (positive/negative) on the business:
    - Our new e-commerce platform increases our customer base outside Sweden
  - Potential impact (positive/negative) on the workforce:
    - Targeted training for all customer service employees
    - Hire Business analyst

- Increased focus on sustainability
  - Potential impact (positive/negative) on the business:
    - Enforces investments in Green technology
  - Potential impact (positive/negative) on the workforce:
    - Upskill current Engineers

- Other
  - Potential impact (positive/negative) on the business:
    - Xxx
  - Potential impact (positive/negative) on the workforce:
    - Xxx
Business Scenario Planning and Workforce Modelling

ILLUSTRATIVE EXAMPLE

Scenario planning is an optional step that can help the organization deal with uncertainty and prepare for scenarios having major impact on the business strategy and goals. Scenario planning entails establishing assumptions about the future and how the business will evolve, good or bad, due to those assumptions. Workforce Modelling is predicting the impact the scenario would have on your workforce. Results from this Scenario Planning exercise might give insights that impacts the critical capabilities or time plan identified in step 2 and 3.

**Business Scenario(s)**

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>e.g. Product is not approved for sales…</td>
<td>e.g., Customers demand Electronic Data Interchange (EDI)…</td>
<td>Other…</td>
</tr>
<tr>
<td>Revenue and profit lower than projected</td>
<td>Investment in new MRP system</td>
<td>….</td>
</tr>
<tr>
<td>Over capacity in the production</td>
<td>New IT infrastructure needed</td>
<td>….</td>
</tr>
<tr>
<td>Increased pressure on product development</td>
<td>Regulatory skills becomes critical, external training needed for current workforce</td>
<td>Current employees in IT upskill</td>
</tr>
<tr>
<td></td>
<td>Design training so employees from Production can step into support Product Development</td>
<td>Data Science skills becomes increasingly critical</td>
</tr>
</tbody>
</table>

**Impact on the business**

How does the scenario impact our business and financials?

**Workforce Modelling**

What is the likely impact to the current and future workforce?

Will it change the critical capabilities?

Will in workforce implications such as higher attrition, increased capability gaps?

Do the scenario require changes to the organizational structure and number of employees?

What urgent actions will need to be taken?

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Even if the envisioned **scenario** would not be realized you **will prepare** your organization to better deal with any **unforeseen events**
2. Analyze current and future workforce

After assessing external trends affecting your business it is helpful to follow the below steps to identify key capabilities and skill gaps in your organization.

<table>
<thead>
<tr>
<th>Steps</th>
<th>Understanding your business strategy</th>
<th>Future Workforce Analysis</th>
<th>Current Workforce analysis</th>
<th>Identify and calculate skill gaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actions</td>
<td>Develop your business strategy and goals on a 3–5-year horizon</td>
<td>Identify the critical capabilities you will require to succeed</td>
<td>Assess current workforce skills and capabilities</td>
<td>Based on the capabilities that has been identified as critical in the future, define what roles are impacted and what actions you can take to close the skill gap</td>
</tr>
<tr>
<td></td>
<td>Define what you must:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Stop doing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Start doing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Continue doing</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2.1 Understanding your business strategy

ILLUSTRATIVE EXAMPLE

The first fundamental step is to articulate your business strategy, i.e., where do you want to be in 3-5 years. Below is a simple example of what this could look like:

• Become the Nordic region’s leading producer of machine components through shortened lead times and minimized production errors
• Increase customer inventory by 50%
• Minimize manual work in production
• Establish a new production facility with increased automation
• Continue to build B2B self-service platform
• Develop CRM system integration

What does your business strategy and goals look like on a 3–5-year horizon?

What must we stop/start/continue doing to be successful?
2.2 – 2.4 Workforce Analysis and skill gap identification

Identify future critical capabilities and define which roles are impacted, as well as what measures you need to take to bridge the skill gap. The capabilities where demand is expected to increase combined with low supply in the market potentially results in a critical skills shortage and high costs for unfilled vacancies, unexpected salary increased and new hire. All opportunities for development and reskilling of current workforce should be considered closely.

The purpose of this step is not to do a full capability map of every skill and role. Maintain the strategic perspective and focus on the competencies you consider to be critical to meet the business goals.
3. Define, plan & prioritize actions to close skill gaps

ILLUSTRATIVE EXAMPLE

After identifying your skill gaps – use these guiding principles to define, plan and prioritize your actions to bridge the skill gaps. In addition, ensure your current People plans and processes are effective and fit for purpose, see example at next page

What actions are most suitable?

**Hire**

- When the talent gap for the capability is critical and needs to be bridged soon
- When there is sufficient supply in the external market/you need to increase the overall headcount
- When re-skilling current employees is not a feasible option

**Reskill & Develop**

- When the demand is expected to be high, and the market supply is expected to be low
- When repetitive tasks can be automated and free up working hour for more value adding work
- When there are employees with relevant skills that can be further developed or re-skilled
- Where there is sufficient lead time and ROI to close the capability gap
- When there is a risk of current workforce skills becoming obsolete and making employees redundant

Re-skilling and employee development strategies makes your company more attractive and secures a competitive and sustainable workforce
3. Analysis of current people plans/processes

In addition to prioritizing actions to bridge the skills gap, a simple SWOT analysis can be performed to discover opportunities for improvement within your current HR plans/processes. For example, you may realize that your Learning efforts are not optimally designed for your business strategy and need improvement or redesign to have the required impact.

<table>
<thead>
<tr>
<th>HR Plan/process</th>
<th>S Strengths</th>
<th>W Weakness</th>
<th>O Opportunities</th>
<th>T Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment &amp; Demand planning</td>
<td>The time from advertising to filling vacancies has significantly improved</td>
<td>The quality of introduction and training of new employees depending on the hiring manager</td>
<td>Automate communication to both candidate and recruiting manager to ensure the quality of the process</td>
<td>Skills shortage on the market</td>
</tr>
<tr>
<td>Learning &amp; Development</td>
<td>85% of our employees are satisfied or very satisfied with the development programs we offer</td>
<td>Lack of impact assessment; do our development programs support the business’s long-term growth strategy?</td>
<td>Collaborate with other companies for design of development programs</td>
<td>High cost per participant in the development programs</td>
</tr>
<tr>
<td>Compensation &amp; Benefits</td>
<td>Categorization of services and salary structure is in place</td>
<td>Difficult to find relevant market salary data to ensure that our compensation is competitive</td>
<td>Implement flexible benefits that so the individual can design their own package</td>
<td>High demand for critical capability leads to salary increases in excess of the budget</td>
</tr>
<tr>
<td>Workforce composition &amp; employee satisfaction</td>
<td>Current organizational structure enables our growth strategy</td>
<td>Our workforce composition does not reflect the diversity of the society we operate in</td>
<td>Deeper analysis of employee survey results to understand employee views</td>
<td>High turnover amongst Early Talent, average tenure &lt; 3 years</td>
</tr>
<tr>
<td>Other</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
<td>xxx</td>
</tr>
</tbody>
</table>
4. Implement, monitor and adapt actions

Create a clear structure to ensure implementation and follow-up so the measures have the intended effect

Appoint initiative owner
Set up execution tracking infrastructure and governance

Log and track the actions that are taken to close the talent gap

Measure and track against KPIs to confirm that the actions are having the intended impact

Refine actions as you progress on knowledge and strategic goals changes
4. Action plan tracker - example

**ILLUSTRATIVE EXAMPLE**

To follow up on the progress and hold people accountable a simple tracker can be put together. It is preferred that the leadership team revisits the tracker on a regular basis and agrees on what adjustments are needed.

<table>
<thead>
<tr>
<th>Lever</th>
<th>Skill/role</th>
<th>Next steps</th>
<th>Owner</th>
<th>KPI:s</th>
<th>Current progress</th>
<th>Deadline</th>
<th>Refine actions?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hire</strong></td>
<td>IT &amp; Automation</td>
<td>Market the open positions internally and improve internal job application</td>
<td>Recruitment: John Doe</td>
<td>#of internal applicants</td>
<td>On-track</td>
<td>Q1/23</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lean</td>
<td>portal to encourage more employees to apply</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>More budget</td>
</tr>
<tr>
<td></td>
<td>Lean</td>
<td>Revisit comp and bands for Lean roles to stay competitive in the market</td>
<td>Comp &amp; Ben: John Doe</td>
<td>% difference to market compensation</td>
<td>Behind schedule</td>
<td>Q2/22</td>
<td></td>
</tr>
<tr>
<td><strong>Reskill &amp; develop</strong></td>
<td><strong>Technology</strong></td>
<td>Identify relevant external training providers</td>
<td>Training &amp; Development:</td>
<td>#of employees enrolled in external programs</td>
<td>On-track</td>
<td>Q3/23</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Learning &amp;</td>
<td>Perform assessment to validate that our development programs have the</td>
<td>Training &amp; Development:</td>
<td>Present result to Leadership team</td>
<td>On-track</td>
<td>Q3/22</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Development</td>
<td>intended impact</td>
<td>Jane Smith</td>
<td>Q3/21 – include in budget 2022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Process</td>
<td>Identify possibilities for internal development programs</td>
<td>Training &amp; Development:</td>
<td>% difference to market compensation</td>
<td>Behind schedule</td>
<td>Q2/22</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lean</td>
<td></td>
<td>Jane Smith</td>
<td>#of employees enrolling in internal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lean</td>
<td></td>
<td></td>
<td>development</td>
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